



Real Estate and Capital Equipment Loans

The Virginia Small Business Financing Authority's loans to finance real estate and capital equipment are designed to help existing businesses fund the purchase of owner-occupied real estate and/or capital equipment. The Virginia Small Business Financing Authority (the "VSBFA") serves as the conduit through which the Community Reinvestment Fund (the "CRF" - a Minnesota based 501c3 which is focused on economic development) makes available New Market Tax Credits loans as well as private funding for this purpose.

<p><u>Eligible Borrowers:</u></p> <ul style="list-style-type: none"> • All borrowers must comply with the Community Reinvestment Fund's guidelines for the use of loan proceeds. Certain geographic and other restrictions apply. • All borrowers must have a history of positive cash flow, operating ratios consistent with industry norms, and sufficient working capital to meet current obligations. • Borrowers may be either established for profit companies or established non-profit organizations [501(c)3 companies]. • Borrowers must occupy a minimum of 51% of the real estate financed by this program or use 100% of the equipment funded through this program. • Borrowers must be able to inject new <u>cash</u> equity into the project. • Borrowers will provide the guaranty of all persons or companies owning 20% or more of the applicant organization. 	<p><u>Amount:</u> Per project maximum of \$1,000,000 and minimum of \$50,000.</p> <p><u>Term:</u> <u>Real estate:</u> 25 year maximum <u>Equipment:</u> shorter of 7 years or useful life of equipment</p> <p><u>Interest Rate:</u> <u>Real estate and equipment:</u> initial 7 years, 7-yr. Treasury rate plus 1.9% to over 3.5%, price spread over base rate depends upon project credit risk and program funding source.</p> <p><u>Fees:</u> Minimum \$500 application fee and 1% commitment fee, maximum \$500 document preparation fee.</p> <p><u>Prepayment Penalty:</u> Declining scale penalty during first 7 years of the loan term. No partial prepayments allowed.</p>
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The applicant business must be able to provide a first lien on the assets purchased with loan proceeds. However, a subordinate lien position will be considered if the VSBFA/CRF is not the primary project lender.

<p>Loan funds <i>can</i> be used to:</p> <ol style="list-style-type: none"> 1. Acquire, improve, expand, and/or rehabilitate owner occupied commercial real estate (maximum 90% funding up to \$500,000, 85% over \$500,000, 70% on special purpose facilities). 2. Purchase and install machinery and/or equipment (maximum 70% advance on new equipment, 50% on used equipment). 3. Fund all or a portion (if another Primary Lender) of qualifying projects. 	<p>Loan funds <i>cannot</i> be used to:</p> <ol style="list-style-type: none"> 1. Refinance or restructure existing debt other than construction loans related to the project. 2. Compensate for a fundamental business weakness or poor credit history. 3. Provide working capital. 4. Finance business start up. 5. Fund construction advances, project must be completed.
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Completed applications will be reviewed by the VSBFA staff and recommendations will be made to the Community Reinvestment Fund. Credit decisions will be based on the company's creditworthiness, ability to repay the loan, collateral offered to secure the loan, guarantor strength, and the economic benefit to the Commonwealth.

For additional information and application materials, contact the Financial Services Division of the Department of Business Assistance via the website; www.dba.virginia.gov/financing or call 1-866-248-8814.

Virginia Small Business Financing Authority
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